

# M e m o r a n d u m

To: Panel Members Date: January 26, 2007

From: Dolores Kendrick, Manager Analyst: M. Paccereilli

Subject: One-Step Agreement for **THE BOEING COMPANY**

## **CONTRACTOR:**

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce  
Potentially Displaced Workers  
Developed Jointly By Management And Workers  
Moving to a High Performance Workplace
- Type of Industry: Manufacturing - Aerospace
- Repeat Contractor: Yes
- Contractor's Full-Time Employees
  - *Worldwide:* 140,000
  - *In California:* 30,275
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: International Union, United Automobile and  
Aerospace, Agricultural Implement Workers of  
America (UAW) Local 148

## **CONTRACT:**

- Program Costs: \$756,000
- Substantial Contribution: \$0
- Total ETP Funding: \$756,000
- Total In-kind Contribution: \$1,000,000
  - *Trainee Wages Paid During Training:* \$1,000,000
  - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Los Angeles and Orange

### **INTRODUCTION:**

This will be the seventh project between The Boeing Company (Boeing) and the Employment Training Panel (ETP).

Boeing, an aerospace company, is eligible to provide ETP training under Title 22, California Code of Regulations, Section 4416(i)(1) as a company meeting the out-of-state competition requirement based on industry classifications. The company proposes to train 1,000 employees in continuous improvement skills necessary to implement Boeing's new initiative, "Build and Design Anywhere", which was implemented in 2004 in order to transition the company to a high performance workplace.

### **MEETING ETP GOALS AND OBJECTIVES:**

Boeing proposes training that will further the following ETP goals and objectives:

- 1) To support joint labor union and employer training ventures.
- 2) To promote California's manufacturing workforce.
- 3) To foster job retention in industries threatened by out-of-state competition.

**TRAINING PLAN TABLE:**

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Priority Industry Retrainee	MENU: Continuous Improvement	1,000	24 -200	0	\$756	\$16.47 – \$49.75
<b>Wages After 90-Day Retention</b>						
<b><u>Occupation</u></b>						
Engineer Production Workers Material Experts Testers Maintenance Workers Managers Business Administration Staff						
<b><u>Health Benefits Used To Meet ETP Minimum Wage:</u></b> Although the employer pays health benefits for employees, the hourly contribution is not being used to meet the ETP minimum wage requirement.					<b><u>Turnover Rate</u></b> <2%	<b><u>% Of Mgrs &amp; Supervisors To Be Trained:</u></b> 10%
<b><u>Other Employee Benefits:</u></b> Paid holidays and vacation; tuition reimbursement; 401K; stock options						

**COMMENTS / ISSUES:**

➤ ***Frontline Workers***

All participants in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee), except for 100 managers, representing ten percent of the trainee population.

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

**COMMENTS / ISSUES:** (continued)

➤ ***Repeat Contractor***

In the last contract, training in continuous improvement focused on the conversion of employee skills sets from the commercial aircraft to those needed in the production of the C-17 aircraft. Under this proposal, the continuous improvement training will focus on the new company initiative that has not been provided in the past: "Build and Design Anywhere".

➤ ***Substantial Contribution***

Title 22 California Code of Regulations, Section 4410, requires a substantial contribution by any employer for retraining at a facility which previously benefited from two prior Panel Agreements in the amount of \$250,000 or more within the last five years. Boeing is exempt from this requirement because the company has only one ETP contract within the last five year period at the proposed facilities.

**RECOMMENDATION:**

Staff recommends that the Panel approve this proposal based on Boeing's stated need to upgrade the skills of its workforce in order to implement the new company initiative. In making this recommendation, staff notes that Boeing is an aerospace company, which is among the Panel's targeted industries. The proposed training will enable Boeing to adapt to a high performance workplace and foster retention of manufacturing jobs in California.

**NARRATIVE:**

Founded in 1904, Boeing is a manufacturer of commercial jetliners and military aircraft, with capabilities in rotorcraft, electronic and defense systems, missiles, satellites, launch vehicles, and advanced information and communication systems. This company is a major United States exporter in terms of sales with customer base extending to 45 countries around the world.

Boeing is organized into five business units: Boeing Commercial Airplanes, Boeing Integrated Defense Systems (IDS), Boeing Capital Corporation, Phantom Works, and Shared Services Group. Within the aerospace industry framework, the IDS division supports the United States government, the Air Force's Evolved Expendable I Launch Vehicle program, and NASA's International Space Station. The proposed training will be provided to the IDS division in Southern California locations (Long Beach, El Segundo, Anaheim, Palmdale, and Huntington Beach).

According to company representatives, in 2004 Boeing launched a company initiative called "Design and Build Anywhere". This is a major shift in how Boeing will respond to the demand of the aerospace industry and meet the needs of its customers. This initiative decentralizes all aspects of each product line. As such, from idea conception to final delivery, each product can be produced at any location. This initiative will have a big impact on the company, particularly at the Long Beach facility, which received funding from the United States Congress in September 2006 for the production of ten additional C-17 aircrafts.

**NARRATIVE:** (continued)

Boeing representatives state that the proposed training in **continuous improvement** will introduce this initiative to its employees in the development, production, and delivery components that may have been previously assigned to other locations. This training will improve strategy delivery and execution, reduce organizational complexity, and improve competitiveness, which will help better serve its current customers and obtain new business.

***Commitment to Training***

Boeing currently provides new employee orientation, safety, computer training, technical production skills, and courses in engineering processes. Since the last ETP contract, Boeing representatives reported that its training budget has increased by five percent. ETP funds represents less than one percent of Boeing's \$80 million training budget. These funds will be used to augment Boeing's budget to allow training to take place on an accelerated timetable and reach more employees than would be possible without ETP assistance.

At the completion of ETP-funded training, Boeing plans to continue its commitment to skills development by providing staff with ongoing training in continuous improvement. The company intends to establish the successful components of this training as the foundation for future growth in California.

**SUBCONTRACTORS:**

UAW-Labor Employment and Training Corporation (LETC), Long Beach, California, will provide administration services for an amount not to exceed 13 percent of the payment earned.

**THIRD PARTY SERVICES:**

UAW-LETC assisted with the development of the training program and completion of the ETP application at no cost to the applicant.

### **PRIOR PROJECTS:**

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

<b>PRIOR PROJECTS</b>						
<b>Agreement Number</b>	<b>Location (City)</b>	<b>Term</b>	<b>Contract Amount</b>	<b>Amount Earned</b>	<b>Planned In-kind Contribution</b>	<b>Reported In-kind Contribution</b>
* ET00-0282	Long Beach	4/3/00 - 4/2/02	\$618,300	0	0	0
**ET03-0286	Long Beach	4/7/03 - 4/6/05	\$2,366,000	\$563,397 (24%)	4,000,000	\$960,000

\* This project was terminated due to change in business conditions and layoffs.

\*\* According to the Contractor, this project failed to achieve the planned performance objectives due to a lack of internal coordination, social security identification concerns, and some division's non-adherence to required ETP documentation (ETP Trainee Online Authorization Form and ETP attendance rosters).

Since ETP no longer requires a signed ETP Trainee Online Authorization, Boeing expects a better result in this proposal. In addition, the company is implementing the following improvement strategies to ensure attainment of all ETP contract objectives and successful completion of the proposed training:

- Increased coordination – a dedicated ETP coordinator has been assigned to ensure that all company divisions are in compliance with the ETP contract objectives, processes, and procedures. This individual will interface with IDS management to review training progress, documentation and tracking issues, and to institute corrective measures as required.
- Utilization of Learning and Management Systems (LMS) for training documentation.

## **THE BOEING COMPANY**

### **MENU CURRICULUM**

Class/Lab Hours  
24 - 200

Trainees will receive any of the following:

### **CONTINUOUS IMPROVEMENT**

#### **LEADERSHIP**

- Creating And Leading Teams
- Tools For Leading Change
- Changing Organizational Culture
- Infrastructure For Leading Change

#### **PROJECT MANAGEMENT**

- Systems Engineering
- Procurement
- Scheduling
- Planning
- Project Controls

#### **TEAM BUILDING**

- Understanding Data
- Presentations
- Troubleshooting Processes
- Team Dynamics
- Problem Solving

<p><u>Comment:</u> The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)</p>
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INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA - UAW

*Jim Wells*  
Director  
(Member, International Executive Board)

*Ron Gettelfinger*  
President

*Elizabeth Bunn*  
Secretary-Treasurer

September 18, 2006

Employment Training Panel

To Member of the ETP Panel:

We are supportive of the request by the Boeing Corporation to provide ETP supported training in Lean Manufacturing, Six Sigma and related classes at the various plant sites in Southern California.

Thank you for your cooperation.

Sincerely,

Jim Wells, Director  
UAW Region 5

JW/ts  
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Alaska, Arizona, Arkansas, California, Colorado, Hawaii, Idaho, Kansas, Louisiana, Missouri, Nevada, New Mexico, Oklahoma, Oregon, Texas, Utah, Washington